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DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES

Draft resolution submitted by Sudan
on behalf of the States members of the Group of 77

The Trade and Development Board,

Reaffirming its resolution 338(XXXVII) of 15 October 1990,

Recalling the Final Act of the seventh session of the United Nations Conference and Trade and Development and General Assembly resolution 45/214,

Recalling also the Declaration on International Economic Co-operation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, contained in the annex to General Assembly resolution S-18/3, and especially its paragraph 26,

Recognizing the importance of resources for development in the agenda for UNCTAD VIII,

Noting the progress made by a small number of debtor countries which have benefited from debt reduction schemes in stabilizing their economies and in enhancing their normal debtor-creditor relations,

Concerned, on the other hand, that in most heavily indebted countries the levels of debt and debt service remain unmanageable and represent a serious obstacle to a sustainable economic recovery, despite widespread and often painful efforts to adjust their economies,

Concerned also that in other developing countries, not classified as most heavily indebted countries, important debt servicing obligations, nevertheless, are draining substantial resources, thus, seriously undermining their attempts to achieve accelerated growth and development and to eradicate poverty,

Further concerned by continued reduction of financial resources available to developing countries for development,

Welcoming the positive changes in the debt strategy which includes debt and debt service reduction as a central element and, in particular, the recent improvements in this strategy, notably:

- The application of the Houston terms by the Paris Club in favour of lower middle income-countries,

- The launching of the United States Enterprise for the Americas initiative in the area of debt reduction and cancellation,

- Further measures implemented or announced by creditor countries to cancel official development assistance debt, in conformity with Trade and Development Resolution 165(S-IX),

- Additional debt and debt-service reduction packages agreed between debtor countries and commercial banks,

- The agreement reached at the London Economic Summit of the Group of Seven in July 1991 on the need for additional debt relief measures in favour of low-income countries, which would go well beyond the relief already granted under Toronto terms,

- The substantial debt reductions agreed by the Paris Club in favour of some middle-income debtor countries,

Concerned, however, that the scope of debt relief remains limited, while the implementation of the strengthened debt strategy increasingly lacks momentum,

Welcoming the bold proposal of the Government of the Netherlands calling for the cancellation of official bilateral debt owed by Least Developed Countries and other low-income countries,

Noting the various proposals concerning the establishment of an International Debt Facility through which funds or guarantees from creditor Governments would be channeled in order to help reducing commercial debt of developing countries at deep discounts,

1. Agrees that there is an urgent need for the further strengthening of the international debt strategy, both in the short and long run, with a view to promoting the revival of sustained growth and accelerated and sustainable development in developing countries,

2. Agrees that the international debt strategy must lead to more debt relief in terms of higher percentages of debt reductions and, where applicable, debt refinancing, as well as greater coverage of beneficiary debtor countries, encompassing official bilateral and multilateral, as well as commercial debt, and be based on objective economic criteria, not political preferences or narrow financial concerns,

3. Agrees to engage at UNCTAD VIII in detailed discussions and to reach meaningful results designed to strengthen further the international debt strategy; these discussions will deal with, inter alia, the following:

(a) Urgent implementation by the Paris Club of the decisions taken at the London Economic Summit of the Group of 7 on additional debt relief in favour of low-income countries, bearing in mind the proposals put forward by the Governments of the United Kingdom of Great Britain and Northern Ireland and the Netherlands concerning, respectively, substantial reduction of the stock of official bilateral debt owed by low-income countries, and cancellation of this debt;

(b) Urgent consideration by the Paris Club of debt reduction measures in favour of other heavily indebted middle-income countries similar to those recently agreed in favour of some middle-income countries;

(c) More effective implementation of the Brady initiative through, inter alia, the provision of additional incentives to creditors to engage in debt and debt service reduction on a larger scale, and to extend such benefits to a larger number of eligible countries. In this regard, multilateral institutions and creditor Governments are invited to continue to review intensively those aspects of their operating guidelines, and fiscal and regulatory provisions, that have a bearing on debt and debt service reductions, to ensure that they facilitate this process;

(d) Intensified efforts by multilateral financial institutions and donor countries to implement fully and expeditiously the Programme of Action for the Least Developed Countries for the 1990s adopted by the United Nations Conference on the Least Developed Countries held in Paris in September 1990;

(e) Urgent consideration of debt reduction for low-income countries with substantial debt burdens which continue to service their debt and meet their international obligations at great cost;

(f) Adequate support from industrialised countries for the adjustment efforts undertaken by developing countries by adopting policies which should ensure a more favourable international economic environment conducive to accelerated and sustainable development. In this regard, appropriate steps should be taken to increase the flow of financial resources to developing countries, including a substantial increase in bilateral and multilateral aid flows, particularly on concessional terms, as well as an imaginative package of incentives to encourage banks to lend, and private sector enterprises to invest, in developing countries; to expand access to their markets for exports from developing countries; to strengthen international commodity markets; and to provide the basis for non-inflationary growth, lower real interest rates and more stable exchange markets through an appropriate mix of fiscal and monetary policies, in line with the decisions of the London Economic Summit of the Group of 7;

(g) The continuation by debtor countries of the implementation of their growth-oriented adjustment policies, including measures to improve the mobilisation of domestic resources as well as to attract direct foreign investment and other non-debt creating flows.